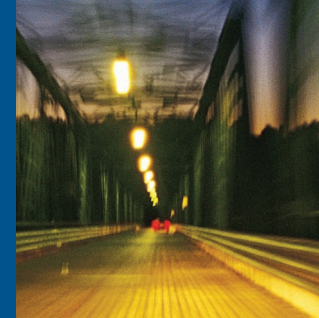
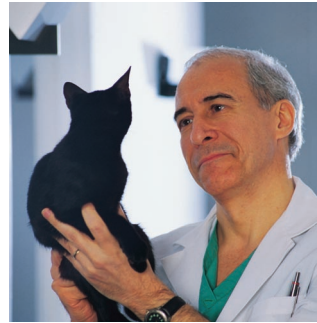


California Infrastructure and Economic Development Bank (I-Bank)

The I-Bank is a State of California financing authority that promotes the economic growth, quality of life and revitalization of California communities through low-cost financing of infrastructure and economic development projects. The I-Bank's programs include the *Infrastructure State Revolving Fund Program*, which provides low-cost, long-term financing to local governments for a variety of public infrastructure projects, and the *Revenue Bond Financing Program*, which provides tax-exempt Industrial Development Revenue Bond financing to qualified manufacturing companies, tax-exempt 501(c)(3) Revenue Bond financing to nonprofit corporations, and other tax-exempt revenue bond financing to public agencies.

This brochure explains 501(c)(3) Revenue Bond financing. For more information on the I-Bank, please see our website at www.ibank.ca.gov.

Low-Cost Financing for Nonprofit Capital Improvement Projects



501(c)(3) Revenue Bonds



California Infrastructure and
Economic Development Bank

P.O. Box 2830
Sacramento, CA 95812-2830
916.322.1399 phone
916.322.6314 fax
www.ibank.ca.gov



California Infrastructure and
Economic Development Bank

Low-Cost Financing for Nonprofit Capital Improvement Projects

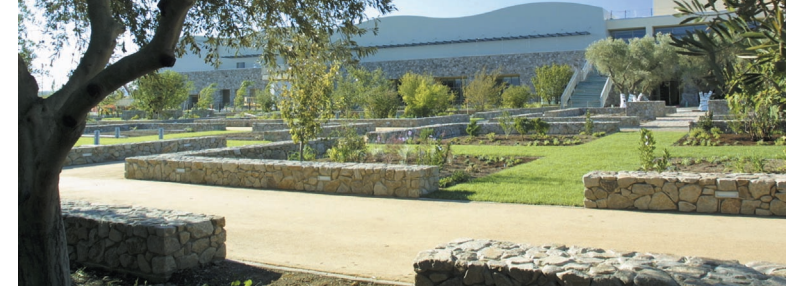


Photo Courtesy of Copia

What Are 501(c)(3) Revenue Bonds?

501(c)(3) bonds are a low-cost source of tax-exempt financing for capital improvement projects for qualified nonprofit corporations.

Benefits of 501(c)(3) Revenue Bond Financing

- **Low Interest Rates** — tax-exempt bond financing typically offers interest rates that are 20% to 35% less than conventional taxable alternatives.
- **Better Terms** — tax-exempt debt may, in most cases, be issued on a long-term (e.g. 20-30 year) fixed interest rate basis, compared to most taxable debt that is usually issued with a shorter term at a variable interest rate. If preferred, tax-exempt debt may also be issued on a variable rate basis.
- **Comprehensive Funding** — the funds can be used for construction and take-out financing of land, buildings and equipment.
- **Allows Borrower to Retain Accumulated Funds** — bond proceeds can be used to pay for eligible costs while the borrower's accumulated funds, including donations, can remain invested.
- **No Volume Cap Requirement** — 501(c)(3) Revenue Bonds are not subject to the limitations of California's private activity bond volume cap.

General 501(c)(3) Revenue Bond Qualifications

- **Eligible Nonprofit Corporation** — in order to borrow using tax-exempt bonds, a nonprofit corporation must be a "501(c)(3) corporation," meaning a nonprofit corporation that has received a determination letter from the Internal Revenue Service stating it qualifies as an organization of the type described in Section 501(c)(3) of the Internal Revenue Code.
- **Public Benefit** — the financed project must provide a defined public benefit.
- **Credit Standards** — bonds issued by the I-Bank must meet established minimum credit rating standards, based either on the credit of the borrower or on credit enhancement from a bank, insurance company, or other acceptable guarantor.

Eligible Uses of 501(c)(3) Bond Proceeds

- **Capital Improvement Projects** — including the cost of land, buildings, equipment and/or infrastructure related to the acquisition or construction of a project.
- **Refinancing Prior Debt** — funds may be used to refinance outstanding taxable debt that was used for eligible capital projects.
- **Reimbursing Prior Capital Expenditures** — under certain circumstances, capital expenditures that could qualify for financing with tax-exempt bonds, but are made prior to bond issuance, can be reimbursed with proceeds of the bonds when issued.
- **Financing Costs** — including costs incurred in connection with issuing the bonds, debt service reserve accounts and capitalized interest.

Examples of Eligible Projects*

- **Cultural Facilities** — including museums, libraries, aquariums, historic preservation and public broadcasting stations.
- **Recreational Facilities** — including community centers, local sports facilities and YMCAs.
- **Charitable Facilities** — including foundations.
- **Research Institutions and Centers.**
- **Other** — including projects that provide a defined public benefit.

How to Apply

Applications are accepted on a continuous basis. Additional information and applications may be obtained from the I-Bank's website located at www.ibank.ca.gov, or by calling 916.322.1399.

* The I-Bank is statutorily prohibited from financing housing projects and generally does not issue bonds for projects that qualify for financing through other State financing authorities such as the California Educational Facilities Authority or the California Health Facilities Financing Authority. The I-Bank does not finance facilities that are used as places of worship or for religious instruction.

Disclaimer

Nothing contained in this brochure should be construed or relied upon as legal advice. Instead, this brochure is intended to serve as an overview of the general subject of the use of tax-exempt bonds by nonprofit corporations, from which better-informed requests for advice, both legal and financial, can be formulated.

